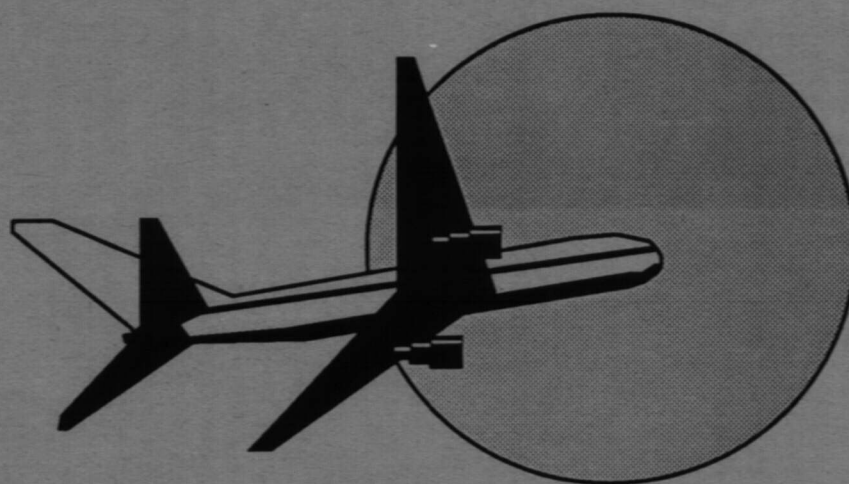
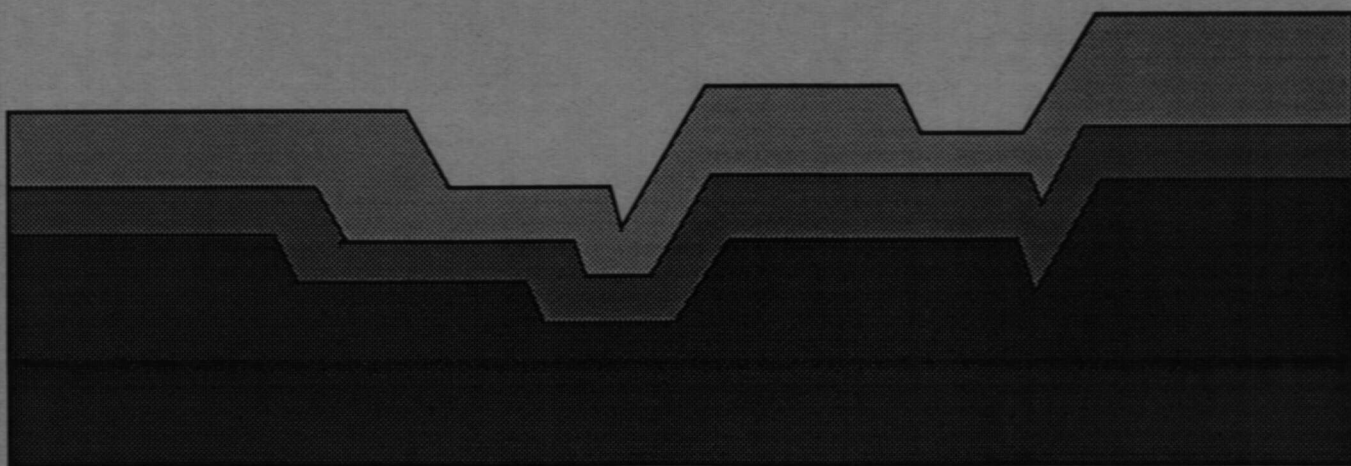


AERONAUTICS DIVISION

PROGRESS REPORT
1996-97



ARIZONA DEPARTMENT OF TRANSPORTATION



Mission Statement

The mission of the Arizona Division of Aeronautics is to encourage and advance the safe and orderly development of aviation in the State.

The Purpose of the Arizona Aeronautics Division is to:

PROVIDE the citizens of Arizona a safe, balanced and integrated statewide aviation system to meet present and future needs.

REPRESENT the state of Arizona in planning, developing, maintaining and operating facilities for the efficient movement of people and goods by air throughout the state.

ADVOCATE aviation transportation policies consistent with the overall goals of the state; to enhance the sociological welfare; preserve natural resources and conserve available funding.

WORK cooperatively with all entities - public and private - to develop the means for multimodal mobility that will meet community needs as expressed through local planning, land use, patterns of commerce and public dialogue.

STRIVE to create and maintain a local state and federal climate that will make action programs and adequate funding available to achieve a level of aviation transportation capacity and quality necessary for Arizona's continued progress.

RESPOND to the needs of the public, including their need to know, understand and discuss the aviation transportation issues and developments of the day - and to be continually mindful of the tremendous importance of the mission the department has been given as a public trust.

ATTRACT the vital human resources required and reward performance excellence in order to bring the highest degree of professional and technical expertise to the aviation challenges of this state, supported by a meaningful affirmative action program which offers equal self-development opportunities for all.

IMPROVE and maintain internal systems, controls, and support services that can assure maximum productivity while using time, manpower, equipment and facilities at optimum efficiency.

ENCOURAGE innovative thinking and action directed toward management decisions, policy implementation, systems application and design, research, planning and aviation safety efforts.

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Charles Lindbergh Visits Tucson -- 1927

HISTORY

The history of the Arizona Department of Transportation's Aeronautics Division began with the creation of the Arizona Aviation Authority in March of 1950. The Authority originally consisted of an unpaid board of five members serving three year terms. The primary purpose of the board was to advise the Governor and the legislature on aviation matters. In May of 1955, a director was appointed. The Authority started monthly publication of a newsletter in 1956, and an airmarking program to aid in cross-country navigation was initiated in 1958. In 1959, the Authority began to assist communities in developing airfields.

In 1962, the legislature created the Arizona Department of Aeronautics with a seven member board, and appropriated funds to assist in construction of a Grand Canyon Airport. Construction began in 1963, and the airport officially opened two years later.

In 1974, the Departments of Aeronautics, Highways, and Motor Vehicles were combined to form the present-day Arizona Department of Transportation.

Arizona's Aeronautics Directors

1955 - 1975 James Vercillino
1975 - 1975 John Burns
1975 - 1978 John Walters

1978 - 1987 Ascencion (Sonny) Najera
1987 - 1988 Jack Christopherson
1988 - Gary Adams

AUTHORITY AND RESPONSIBILITY

The Arizona Department of Transportation is composed of five divisions: Aeronautics, Highways, Transportation Planning, Motor Vehicles and Administrative Services. The Aeronautics Division is charged by state law to:

- Encourage and advance the safe and orderly development of aviation in the state
- Assemble and distribute, to the public, information relating to aviation
- Represent the state on issues of routing and rate schedules concerning airline traffic
- Accept federal and other monies for airport development or air navigation facilities
- Ensure that the Grand Canyon National Park Airport is operated and maintained

- License aircraft dealers
- Register non-airline aircraft within the state
- Make recommendations on legislative and policy issues

The Aeronautics Division, since June 1990, has been organized along functional lines of responsibility. The Division Director provides the overall direction to guide the Division's efforts. The Airport Development Program Administrator is responsible for Airport Development, Planning, and Air Service programs. The Aviation Services Program Administrator is responsible for Aviation Revenue/Aircraft Registration, Aviation Safety and Education, Administration, Fiscal Management and the Airports Loan programs. The organizational structure of the Division is shown in the chart below.

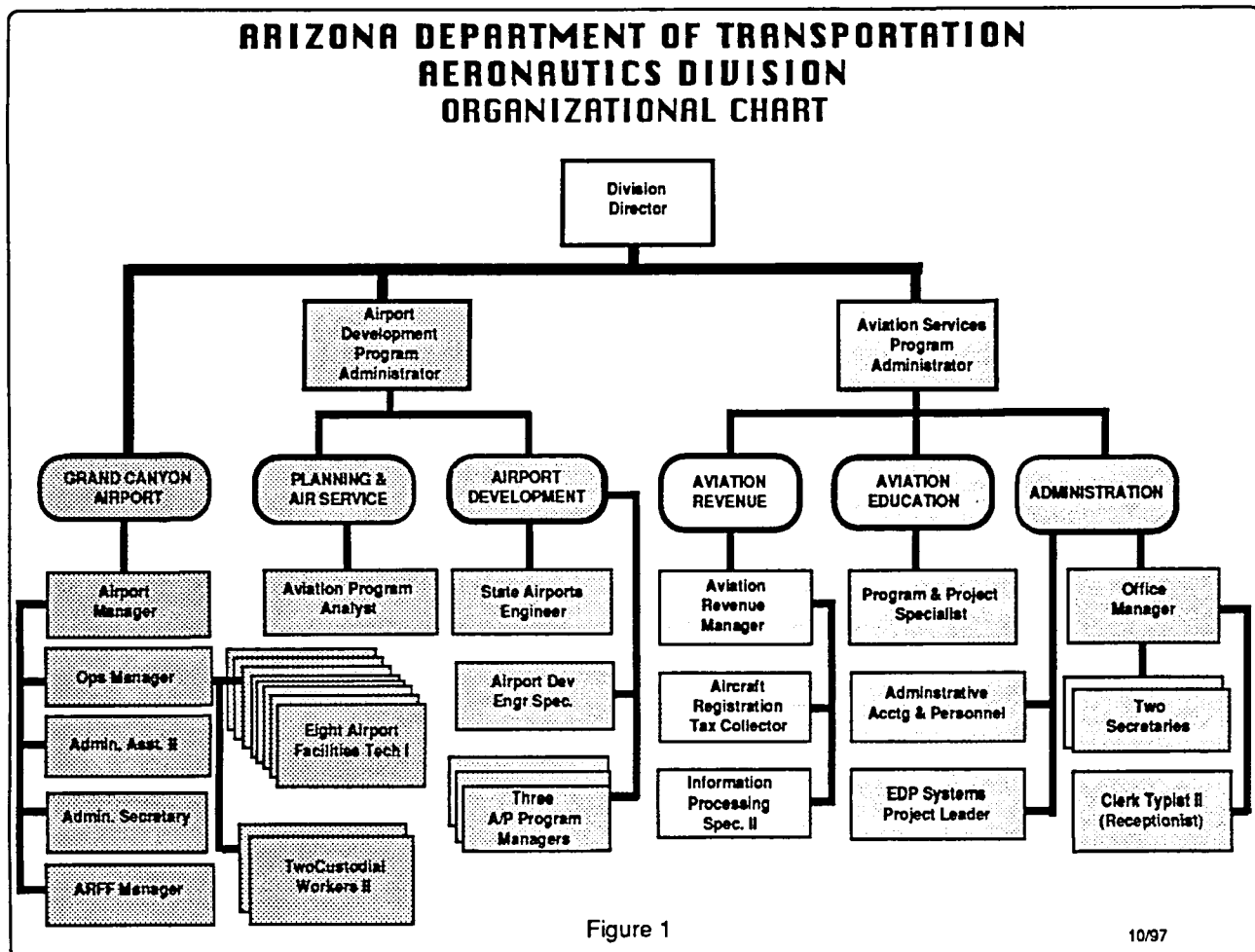


Figure 1

10/97

ARIZONA AIRPORT SYSTEM

Arizona's State Airport System directly connects the state's communities, and provides an essential link with the national systems of airspace and airports. It is considered desirable to provide the general public with no more than a thirty-minute driving time to a public use airport facility. In Arizona, there are 294 airports and 95 heliports registered with the Federal Aviation Administration (FAA). A primary system of 60 airports provides service to 90% of the population (see page 4). Of the 60 primary system airports, 44 are publicly owned, while 12 are Native American and 4 are privately owned.

Primary airports are those airports which meet the following criteria:

- Open to the public
- Ten or more based aircraft or at least 2,000 annual operations

- Scheduled air service by an air carrier or commuter airline on a regular basis
- Projections to meet any one of the above criteria within ten years

Arizona also has a system of secondary airports (see page 5). Secondary airports are typically the less heavily used general aviation airports serving smaller communities and rural areas.

Secondary airports are those airports which meet the following criteria:

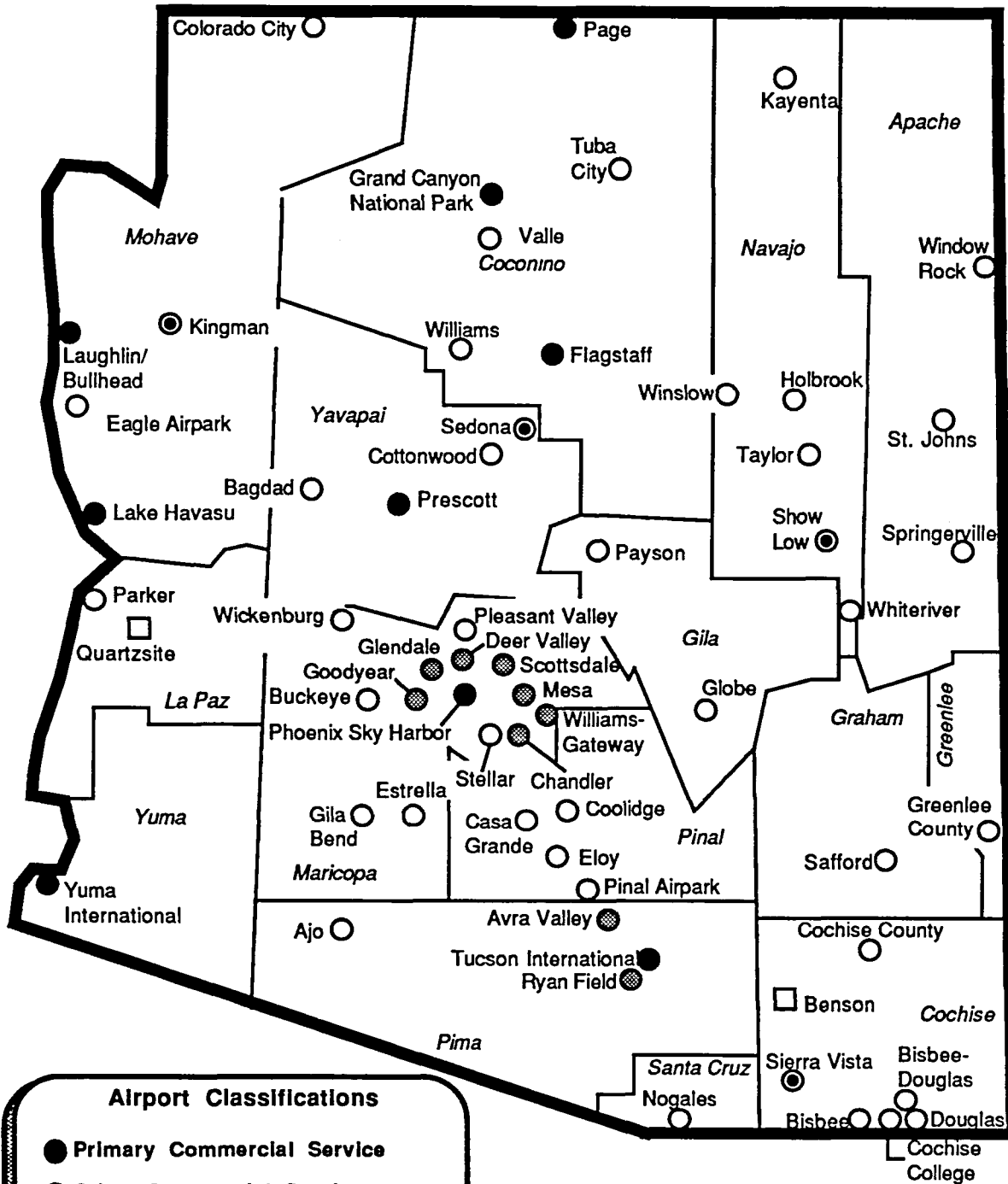
- Open to the public
- Not included in the primary system

Of the facilities dedicated to helicopters, 92 of the 95 heliports or helistops currently listed by the FAA in Arizona are private-restricted facilities.

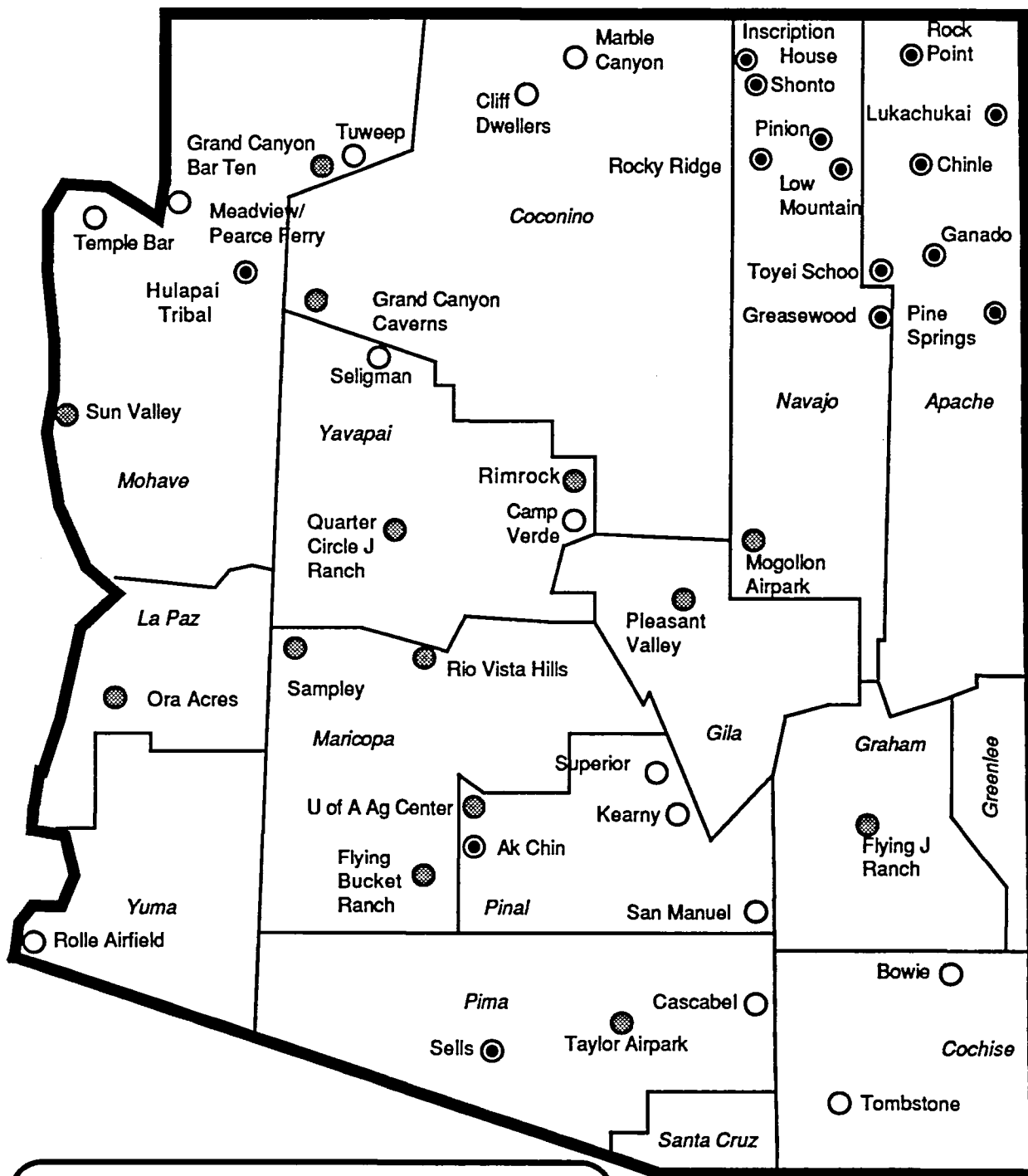
| ARIZONA AIRPORT SYSTEM FACILITIES BY TYPE | | |
|---|-----------|-----------|
| | Primary | Secondary |
| Primary Commercial Service Airports served by scheduled airlines enplaning 10,000 or more passengers annually. | 10 | |
| Non-Primary Commercial Service Airports served by scheduled airlines enplaning 2500 or more passengers annually. | 3 | |
| Reliever Airports which relieve congestion at a commercial service airport and provide additional general aviation access to the community. | 9 | |
| General Aviation Airports used for general aviation purposes. | 38 | 30 |
| TOTAL SYSTEM AIRPORTS | 60 | 30 |

Table 1

State of Arizona Primary Airport System



State of Arizona Secondary Airport System



Airport Ownership

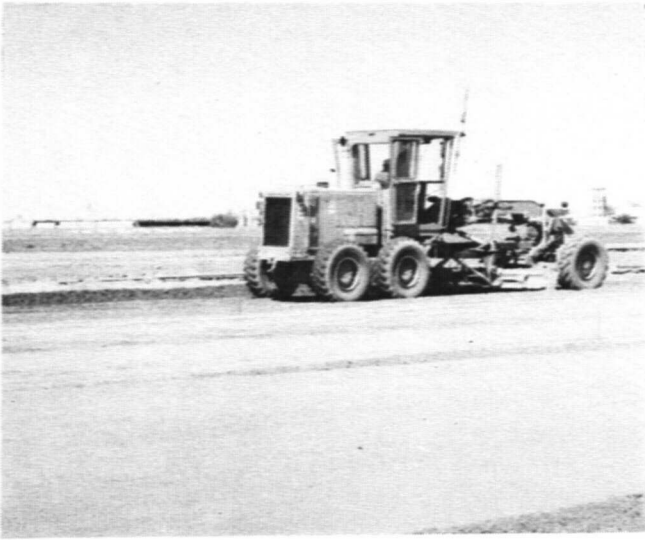
○ Public ● Private ⊙ Native American

Secondary System Definition: All public use facilities not in the State's Primary System.

1997

Aeronautics Div. 10-97

AIRPORT DEVELOPMENT PROGRAM



Under the direction of the Airport Development Program Administrator, this program area has the following responsibilities:

- Administration of the Five Year Airport Development Program and reimbursement of sponsor expenses for eligible project items
- Technical support for airports and airport projects
- Engineering guidance for, and administration of, Grand Canyon National Park Airport construction
- Airport safety data inspections covering selected public airports
- Air Service and Aviation Programming/Planning

PROGRAMMING

The planning process for the Five Year Airport Development Program begins with an extensive evaluation of needs. Needs are prioritized among the airport categories, then included in a program consistent with criteria established by the State Transportation Board. Finally, projects are evaluated and matched with anticipated funds to

create a financially balanced program that optimizes use of available aviation dollars.

FUNDING

Airport construction and development funding in Arizona is accomplished through a cooperative effort involving federal, state, and local governments.

Federal funds are derived mainly from taxes on airline tickets and aviation fuel. This past fiscal year, the amount of Federal Airport Improvement Program funds allocated for Arizona airports was over \$41.4 million. Federal funds for Arizona, when viewed in dollars allocated, has fluctuated from year to year, but during the past five years, has remained relatively stable (see figure 2, page 7).

State funds come mainly from flight property tax, lieu taxes on aircraft, and aviation fuel taxes. These taxes are paid into the State Aviation Fund. In Arizona, aviation pays for itself, with no money coming from the state's general fund. Using funds from the State Aviation Fund, the Airport Development Program has increased dramatically over the past decade. State grant funds allocated have increased from \$3.9 million in FY 1986-87 to \$14.3 million in FY 1996-97 (see figure 3, page 7), an increase of over 366 percent from the beginning to the end of that ten year period.

At the local level, funds for airport construction and development may come from several sources: general fund contributions, revenue from general obligation bonds, user taxes, revenues from airport leases, and concessions. Currently, the local sponsor must provide a matching share of 4.47 percent on federal/state/local projects and a ten percent share on state/local projects. Even with a matching share of only 4.47 or 10 percent, many smaller communities find it difficult to meet this requirement, given the size and extent of the projects necessary to adequately address the needs of their local airport.

FAA Grant Funds Allocated in Arizona

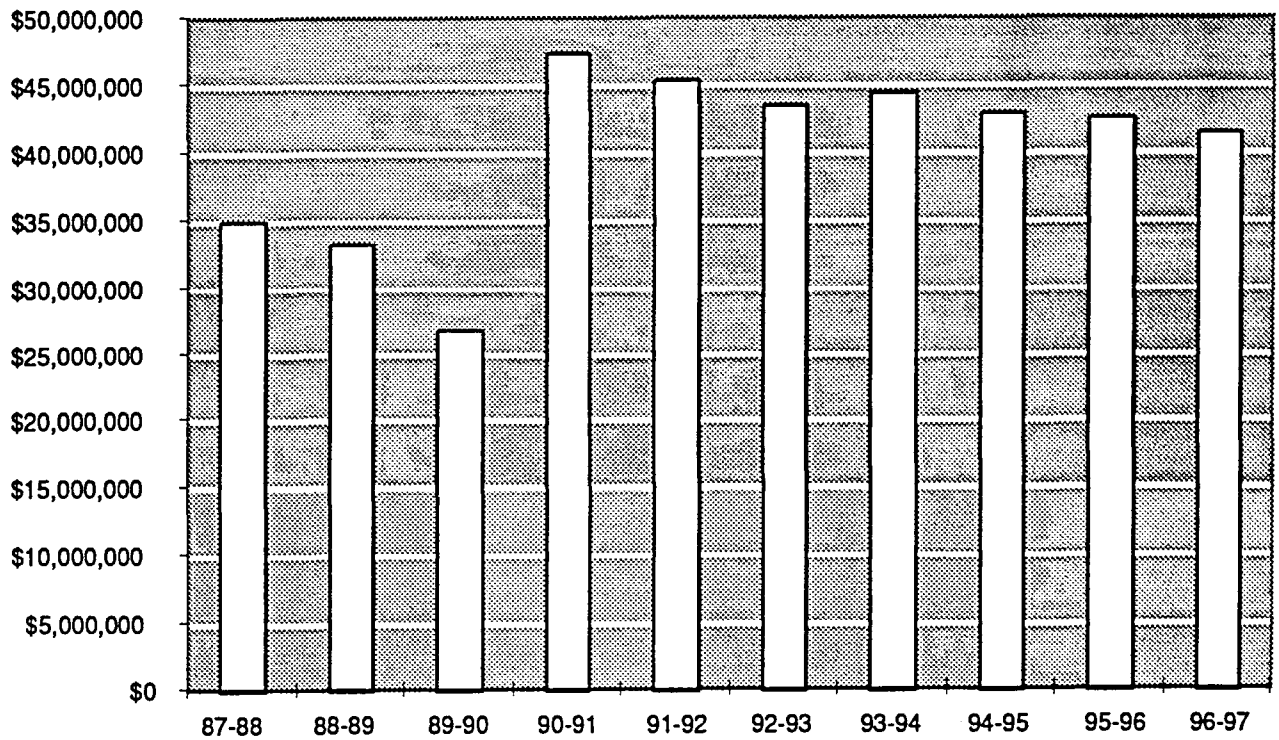


Figure 2

State Airport Funds Allocated

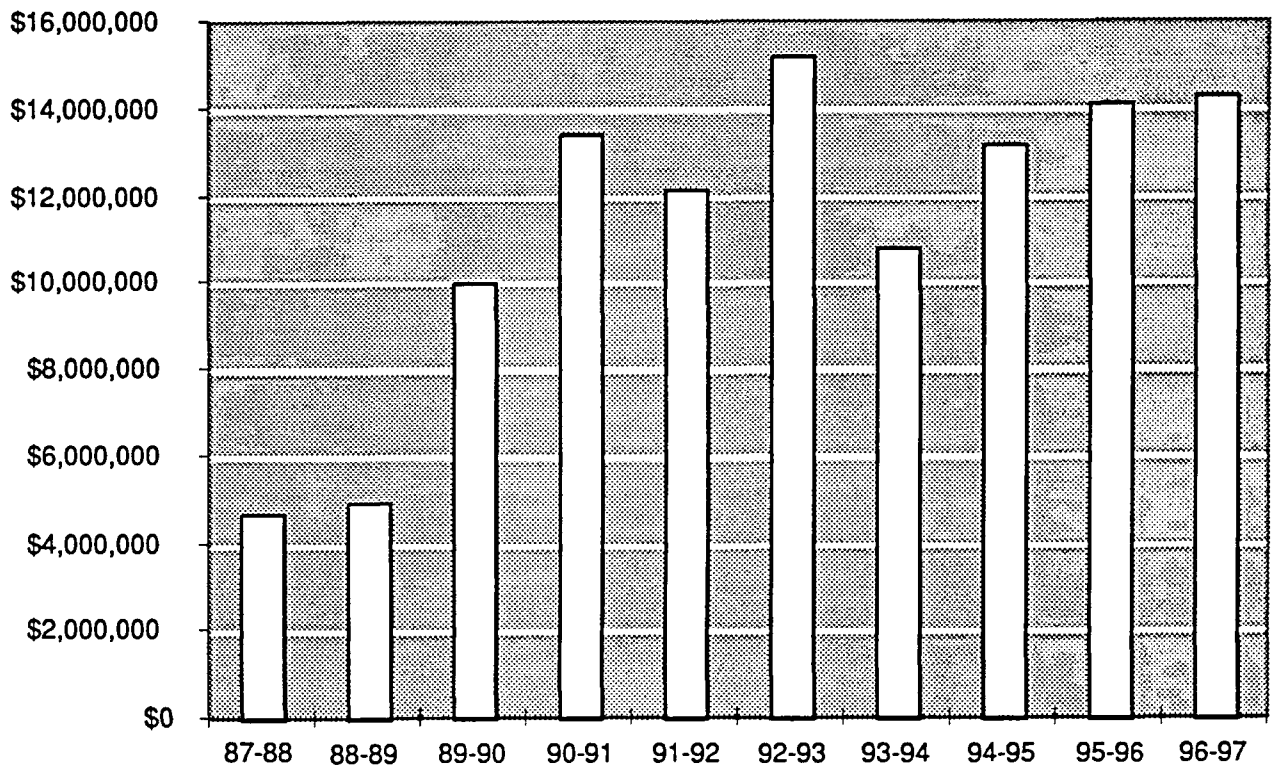


Figure 3

PROJECT ADMINISTRATION

Airport projects funded through the Five Year Airport Development Program are subjected to technical review and monitoring from design through the construction and audit processes.

During the design phase, the Airport Development staff assists sponsors in evaluating and interpreting design criteria. Additional assistance is rendered by reviewing engineering agreements, plans, specifications and contract documents for compliance with state funding requirements.

As the project progresses through the construction phase, the staff reviews bid tabulations, performs field reviews of work during construction, reviews field and laboratory procedures/test results, and analyzes and approves change orders.

At the conclusion of the project, a final inspection is performed. As-built plans and certified quantities are required before final payment is made. Approximately one-third of the projects are audited to ensure compliance with contractual

requirements. The number of airport projects completed remained relatively constant during the fiscal year periods of 1986-87 to 1988-89 with between 25 and 30 projects completed each year (see figure 4, page 8). FY 87-89 saw a sharp increase in federal and state funding. This resulted in an increase in the number of projects completed in FY 92-95. However, federal funds have since declined, with a corresponding decline in both the number of projects programmed and completed.

TECHNICAL ASSISTANCE

The Airport Development staff provides technical support to assure quality construction, optimize construction costs, streamline administrative procedures, and assist local officials in the development of their airport facilities in a cost-effective manner.

The Airport Development staff also provides technical support for special aeronautical studies and for the development of airport plans.

Completed Airport Development Projects

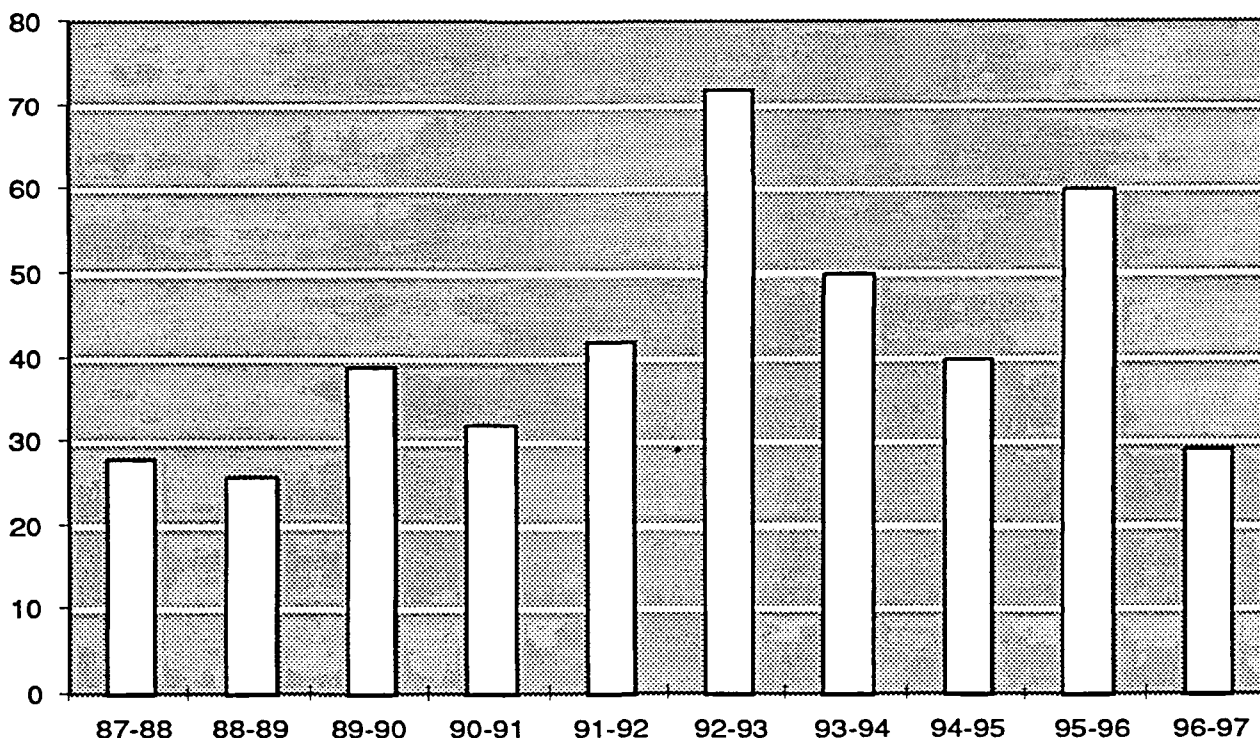


Figure 4

Local airport sponsors may, at any time, receive technical comments and operational guidance concerning improvements or development of their airports.

The airport sponsor's administrative burden is being reduced through policies developed by the Airport Development Section. Whenever possible, reporting forms and other documents already required by the federal government are also used for state purposes, helping reduce the amount of man-hours necessary to comply with reporting requirements.

AIRPORT SAFETY INSPECTIONS

During the past year, the Airport Safety Inspection Team visited more than fifty Arizona airports. The team conducted inspections of public use airfield facilities and conditions for the FAA's Airport Safety Data Program.

The objectives of the Airport Safety Data Program are: to promote airport safety through contact with airport management; to identify and report safety conditions at airports; and to make safety recommendations to correct deficiencies.

The Airport Safety Data Program also provides airport information for: the federal government's Airport Facility Directory (AFD); the FAA's airport data base; and for publishers of aeronautical charts and airport guides.

GRAND CANYON NATIONAL PARK AIRPORT ENGINEERING

The Airport Development Program is also responsible for engineering and the administration of construction projects at the state-owned Grand Canyon National Park Airport. All funding, payment and project authorizations are processed through Airport Development. Consulting firms, under the direction of the Airport Development Engineering Team, have designed both airside and landside airport infrastructure improvements.

All engineering phases of construction work undertaken at the Grand Canyon Airport are either performed directly by this office or performed by consultant engineers under the supervision of the Airport Development Section. Current projects for the Grand Canyon National Park Airport include: runway and taxiway rehabilitation and reconstruction of all aircraft parking aprons. In addition, a multi phased project for the airports water supply/distribution systems continue



AIR SERVICE AND AVIATION PROGRAMMING/PLANNING

The Aviation Planning Section assists in developing strategies and programs to encourage and advance the safe and orderly long-term development of Arizona's aviation system. This requires ongoing monitoring of system deficiencies, strengths and future demands. To accomplish this goal, the Division maintains a Continuous Planning Process (CPP) for the system. Elements of the CPP include: analysis of current aviation activities for airports in the system, forecasts of future demand on the system, and the ability of the system to meet those needs. Another segment of the CPP includes a Pavement Management System (PMS), used to determine the health of airport pavements and prioritize maintenance and replacement activities.

Division staff continues to support and participate in the regional aviation system planning activities of the Maricopa Association of Governments (MAG) and the Pima Association of Governments (PAG). Staff incorporates these regional studies into the state aviation plan, ensuring proper dovetailing of findings.

Statewide Studies

Periodically, special studies are conducted to analyze new technologies that become available to the aviation community or specific statewide issues.

During the past year, the Division completed the construction of the first recreational airport facility at Payson Municipal Airport. The first airplane campground in the State was formally opened in April 1997. After a considerable number of Stop-and-go's, the *Arizona Recreational Airports Systems Plan (ARASP)*, completed in November 1991, finally bore fruit with the completion of 12 campsites in walking distance from the aircraft parking apron. The campground has showers and restrooms located on the site as well as a table and barbecue pit at each picnic area.

The *Aviation Services Study*, begun during the past year, will examine the existing and potential future

deployment of terminal navigational aids, visual landing aids, communications and aviation weather data sources and services in Arizona. The study is investigating the types of federal and state/local navigational facilities in Arizona's aviation system to determine the impacts that may occur during the planned phaseout of federal aviation facilities. A comprehensive survey of airports and pilots is being conducted to provide user input to the study and determine where the major deficiencies in navigational aids and facilities exist. A diversified Planning and Advisory Committee, established to review and provide expert input, should result in a comprehensive document for planning further State navigational facilities and services.

A number of other studies are planned in the coming year which focus on management of the Aviation Fund and the State's aviation asset. A major tool to be used for this purpose is a project management system designed to monitor and manage cash flow in the Five Year Airport Development Program.

Other planned studies will update the studies of the Economic Impact of Aviation in Arizona, and the Essential Air Service program in the State.

Airport Specific Studies

The planning staff establishes guidelines and procedures, in conjunction with the FAA, for individual airport planning. Airport specific studies for proposed airport projects include:

- Site Selection Studies
- Airport Master Plans
- Airport Noise Studies
- Environmental Assessment Studies

Projects completed last year include Airport Master Plans for: Tucson International, Memorial Airfield, Coolidge Municipal, and Casa Grande Municipal. Other recently completed projects: Site Selection and Feasibility Study for Cordes Lakes; and Environmental Assessments for Cordes Lakes and H.A. Clark Airfield.

GRAND CANYON NATIONAL PARK AIRPORT



The Aeronautics Division is responsible for the maintenance, operation and improvements of the only active state-owned airport in Arizona, the Grand Canyon National Park Airport.

The Grand Canyon National Park Airport is located in Tusayan, seven miles from the south rim. The present day facility incorporates the site of the first official Grand Canyon airport, a landing field authorized by the U.S. Forest Service for commercial flights in 1925. The Arizona Department of Aeronautics was instrumental in the acquisition and construction of the airport. The Grand Canyon National Park Airport was originally constructed with funds from the Department of Interior, the Federal Aviation Administration and the state of Arizona. The new airport first

opened for business in October, 1965. The airport terminal was completed and formally dedicated on October 20, 1967.

Today, the airport is the third most active air carrier airport in the state following Phoenix Sky Harbor International Airport and Tucson International Airport. The airport is served by over 40 air taxi and commuter carriers. For fiscal year 1996-97, Grand Canyon National Park Airport annual aircraft operations totaled 194,615 with 1,231,050 passengers enplaned and deplaned.

During FY 97 the Aeronautics Division awarded four air tour lease and use permit agreements for counter space in the main terminal of the Airport.



**GRAND CANYON NATIONAL PARK AIRPORT
REVENUE AND EXPENDITURES
AIRCRAFT OPERATIONS AND PASSENGERS ENPLANED**

| | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| REVENUE | \$914,445 | \$1,211,227 | \$1,364,000 | \$1,401,357 | \$1,490,138 |
| Percent Change | -7.6% | 32.5% | 12.6% | 2.7% | 6.3% |
| | ===== | ===== | ===== | ===== | ===== |
| EXPENDITURES | | | | | |
| ADMINISTRATIVE | | | | | |
| Full Time Employees | 15 | 15 | 15 | 15 | 15 |
| Personal Services | \$273,626 | \$282,761 | \$313,063 | \$319,765 | \$312,967 |
| Employee Related Expenses | \$100,252 | \$94,300 | \$97,096 | \$96,939 | \$93,286 |
| Professional Services | \$0 | \$850 | \$0 | \$2,394 | \$0 |
| Travel | \$4,784 | \$5,518 | \$7,804 | \$5,242 | \$3,385 |
| Other Operating Expenses | \$231,274 | \$216,434 | \$240,870 | \$254,859 | \$267,700 |
| Capital Equipment | <u>\$0</u> | <u>\$0</u> | <u>\$5,500</u> | <u>\$0</u> | <u>\$0</u> |
| TOTAL ADMINISTRATIVE | \$609,936 | \$599,863 | \$664,333 | \$679,199 | \$677,338 |
| Percent Change | -27.4% | -1.6% | 10.7% | 2.24% | -0.28% |
| CAPITAL IMPROVEMENT EXPENDITURES (State \$) | <u>\$3,451,299</u> | <u>\$6,865,727</u> | <u>\$1,215,900</u> | <u>\$703,164</u> | <u>\$781,646</u> |
| TOTAL EXPENDITURES | <u>\$4,061,235</u> | <u>\$7,465,590</u> | <u>\$1,880,233</u> | <u>\$1,382,363</u> | <u>\$1,458,984</u> |
| | ===== | ===== | ===== | ===== | ===== |
| NET INCOME (LOSS) | (\$3,146,790) | (\$6,254,363) | (\$516,233) | \$18,994 | \$31,154 |
| AIRCRAFT OPERATIONS | 176,167 | 188,124 | 183,239 | 204,920 | 194,615 |
| Percent Change | 1.7% | 6.8% | -2.6% | 11.8% | -5.03% |
| PASSENGERS ENPLANED/ DEPLANED | 987,110 | 1,069,755 | 1,059,139 | 1,241,589 | 1,231,050 |
| Percent Change | 24.9% | 8.4% | -1.0% | 17.2% | -0.9% |

Source: Aeronautics Division, Arizona Department of Transportation -- Unaudited Financial Records

Table 2

AVIATION SERVICES PROGRAM



The Division Director, the Program Administrators for Airport Development and Aviation Services, and the Grand Canyon Airport Manager make up the Aeronautics Division's management team. The management team plans, establishes, and implements the overall policy direction for the Division. For the purposes of this report, the management team's activities are included here under Aviation Services.

The Division Director has taken an active role in representing the state of Arizona in local, as well as national forums concerning important aviation matters. Over several years, the Division Director has been deeply involved in several aviation issues of national significance: airspace issues at national parks; federal Airport Improvement Program (AIP) funding; and air tour industry safety.

The Division Director is active in the National Association of State Aviation Officials (NASAO). NASAO is made up of, and represents the state government aviation agencies in all 50 states and Puerto Rico and Guam. NASAO was formed in 1930 with a primary mission of encouraging cooperation and mutual aid between the states and federal and local governments and to develop a state and national air transportation system that is responsive to regional, state, and national needs.

Division Director, Gary Adams, during this fiscal year was recognized by the Arizona Airports Association (AzAA) for his many years of work dedicated to the improvement of airports in Arizona. He was awarded with the first-ever *Arizona Airports Association's Award of Distinction for Exemplary Service to Arizona's Airports*.

AVIATION SERVICES

Under the direction of the Aviation Services Program Administrator, this program area has the following responsibilities:

- Plan, organize, and conduct statewide aviation safety and educational programs
- Administer the aircraft registration process, collect aviation revenue, and license aircraft dealers
- Administer the Airport Loan Program
- Administration of the Grand Canyon National Park Airport
- Fiscal Management
- Contract, Legal and Legislative Issues
- Provide administrative services and support for the Aeronautics Division

ADMINISTRATION

Administration provides a myriad number of functions and services for the Division. The administrative function is responsible for secretarial and clerical support, records management, and personnel services. The Section is continually involved with a wide spectrum of aviation issues.

The Aviation Services Program Administrator is the Division's legislative liaison, directly responsible for review and comments on legal and regulatory matters, as well as the communication of the Division's views to the legislative branch. In addition, the Aviation Services Program Administrator is responsible for the preparation of

**AERONAUTICS DIVISION
ADMINISTRATION
REVENUE AND EXPENDITURES**

| | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 |
|-----------------------------------|----------------------------|----------------------------|---------------------------|----------------------------|----------------------------|
| <u>REVENUE</u> | | | | | |
| Flight Property Tax | \$11,329,977 | \$12,278,607 | \$13,783,627 | \$18,564,298 | \$17,679,764 |
| Aviation Fuel Tax | \$396,733 | \$690,752 | \$254,630 | \$512,328 | \$514,687 |
| Aircraft Lieu Tax | \$1,429,867 | \$1,473,081 | \$1,517,470 | \$1,793,314 | \$1,852,090 |
| Aircraft Registration Fees | \$25,275 | \$26,420 | \$24,665 | \$25,395 | \$28,215 |
| Airport Loans - Interest | | | | \$107,263 | \$133,835 |
| Airport Loans - Principal | | | | \$343,802 | \$320,865 |
| Miscellaneous & Investments | <u>\$1,304,481</u> | <u>\$1,080,365</u> | <u>\$1,410,326</u> | <u>\$1,895,329</u> | <u>\$2,613,848</u> |
| TOTAL REVENUE | \$14,486,333 | \$15,549,225 | \$16,990,718 | \$23,241,729 | \$23,143,304 |
| Percent Change | 45.8% | 7.3% | 9.3% | 36.8% | 0.43% |
| | ===== | ===== | ===== | ===== | ===== |
| <u>EXPENDITURES</u> | | | | | |
| <i>ADMINISTRATIVE</i> | | | | | |
| Full Time Employees | 18 | 18 | 18 | 18 | 18 |
| Personal Services | \$467,496 | \$435,573 | \$442,962 | \$397,799 | \$403,475 |
| Employee Related Expenses | \$106,257 | \$90,457 | \$103,159 | \$93,316 | \$90,730 |
| Professional Services | \$43,866 | \$12,072 | \$79,688 | \$49,394 | \$12,567 |
| Travel In-State | \$22,246 | \$20,074 | \$17,812 | \$16,227 | \$15,964 |
| Travel Out-of-State | \$9,213 | \$8,550 | \$12,677 | \$12,541 | \$15,578 |
| Other Operating Expenses | \$68,771 | \$138,637 | \$114,314 | \$158,065 | \$165,874 |
| Capital Equipment | \$0 | \$0 | \$32,968 | \$0 | \$42,792 |
| Reimburse Highway Fund | <u>\$7,452</u> | <u>\$9,145</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| TOTAL ADMINISTRATIVE | \$725,301 | \$714,508 | \$803,580 | \$727,342 | \$746,980 |
| Percent Change | -11.4% | -1.5% | 12.5% | -9.5% | +2.7% |
| <i>AIRPORT LOAN PROG.</i> | | | | | |
| Revenue Generating | | | | \$3,250,000 | \$972,000 |
| Grant Advance | | | | <u>\$1,700,000</u> | <u>\$7,333,000</u> |
| TOTAL AIRPORT LOANS | | | | \$4,950,000 | \$8,305,000 |
| <i>AIRPORT DEVELOPMENT</i> | | | | | |
| EXPENDITURES (State \$) | <u>\$12,299,269</u> | <u>\$12,200,261</u> | <u>\$7,364,014</u> | <u>\$8,567,890</u> | <u>\$10,934,008</u> |
| TOTAL EXPENDITURES | <u>\$13,024,570</u> | <u>\$12,914,769</u> | <u>\$8,167,594</u> | <u>\$14,245,232</u> | <u>\$19,985,988</u> |
| <u>NET INCOME (LOSS)</u> | \$1,461,763 | \$2,634,456 | \$8,823,124 | \$8,996,497 | \$3,157,316 |

Source: Aeronautics Division, Arizona Department of Transportation --Unaudited Financial Records

Table 3

budgets, the design and use of accounting and fiscal controls, general management policy, and the preparation and management of all contracts. The Aviation Services Program Administrator is also responsible for the administration and coordination of: the Arizona Airport of the Year Program and Award; the Aviation Education Week Program; and the state's portion of the International Aviation Art Contest. The 1997 Airport of the Year was awarded to Sierra Vista Municipal Airport.

Annually, the state legislature reviews and approves an administrative budget from the State Aviation Fund, for the Aeronautics Division. A portion of the budget is designated for Aeronautics Division operations with the remainder earmarked for airport construction and development. The State Transportation Board, through public hearings and a priority rating system, approves individual airport construction projects as published in the Five-Year Airport and Highway Construction Program. (See Airport Development Section for details.)

In fiscal years 1992 through 97, the state's Airport Development Grant Program was supplemented by the Airports Loan Program. The Airport Loan Program, which is coordinated and administered by the Aviation Services Program Administrator, offers loans for revenue generating improvements to airports. Priority has been placed on projects such as: hangars, terminals and fuel farms. During FY 97, loans totaling approx. \$8.3 million have been provided to Arizona airports.

AVIATION REVENUE

The Aviation Revenue Section is responsible for:

- The collection of general aviation aircraft registration fees and lieu tax
- The monitoring, forecasting and assisting in the collection of other revenues for the State Aviation Fund
- The licensing of aircraft dealers

The Aviation Revenue Section is also responsible for the collection, monitoring, and assisting in forecasting State Aviation Fund revenues. The State Aviation Fund receives revenue from a variety of sources including:

- Flight property taxes levied on scheduled airline aircraft
- Aviation fuel taxes
- Aircraft lieu tax and registration fees on non-airline aircraft
- Revenues from the operation of the Grand Canyon National Park Airport
- Interest from the Airports Loan Program
- Interest income on aviation funds on deposit

State Aviation Fund revenues collected are deposited in the State Aviation Fund and can only be used for the construction, development, and improvement of publicly-owned airports throughout the state.

The Aviation Revenue Section works closely with various law enforcement agencies. The Division's records are useful in determining true ownership as well as historical background of an aircraft.

| <u>CALENDAR YEAR 1996</u> | |
|----------------------------|-------|
| AIRCRAFT REGISTERED: 5,347 | |
| LANDPLANE | 3,770 |
| HM BLT/EXPERIMENTAL | 419 |
| ROTORCRAFT | 144 |
| BALLOON | 149 |
| GLIDER | 104 |
| AGRICULTURAL | 64 |
| MILITARY SURPLUS | 56 |
| ANTIQUE | 62 |
| CLASSIC/WARBIRD | 579 |

Table 4

Some of the agencies which use aircraft registration information include the Federal Bureau of Investigation (FBI), Drug Enforcement Administration (DEA), Department of Public Safety (DPS), Internal Revenue Service (IRS), National Narcotics Border Interdiction System (NNBIS), sheriff's offices and city police departments. The on-line records system has been very beneficial to law enforcement agencies. The Aviation Revenue section also works with other federal, state and local governments such as the Federal Aviation Administration (FAA), Department of Revenue, Emergency Medical Services, Arizona Corporation Commission, Industrial Commission of Arizona and the Department of Economic Security.

Aircraft registration information is available to consultants, engineering firms and various planning groups for airports planning as well as for forecasting purposes. Registration information is also made available to airports to assist in identifying aircraft and owners.

In 1995, House Bill 2112 of the 42nd Legislature was passed. This Bill redefined the criteria for the abandoned aircraft category and made other changes that allow for additional customer service improvements to the aircraft registration statutes. These changes are customer-friendly and clarify aircraft registration requirements and processes.

STATE AVIATION FUND - REVENUE SOURCES Fiscal Year 1996-97

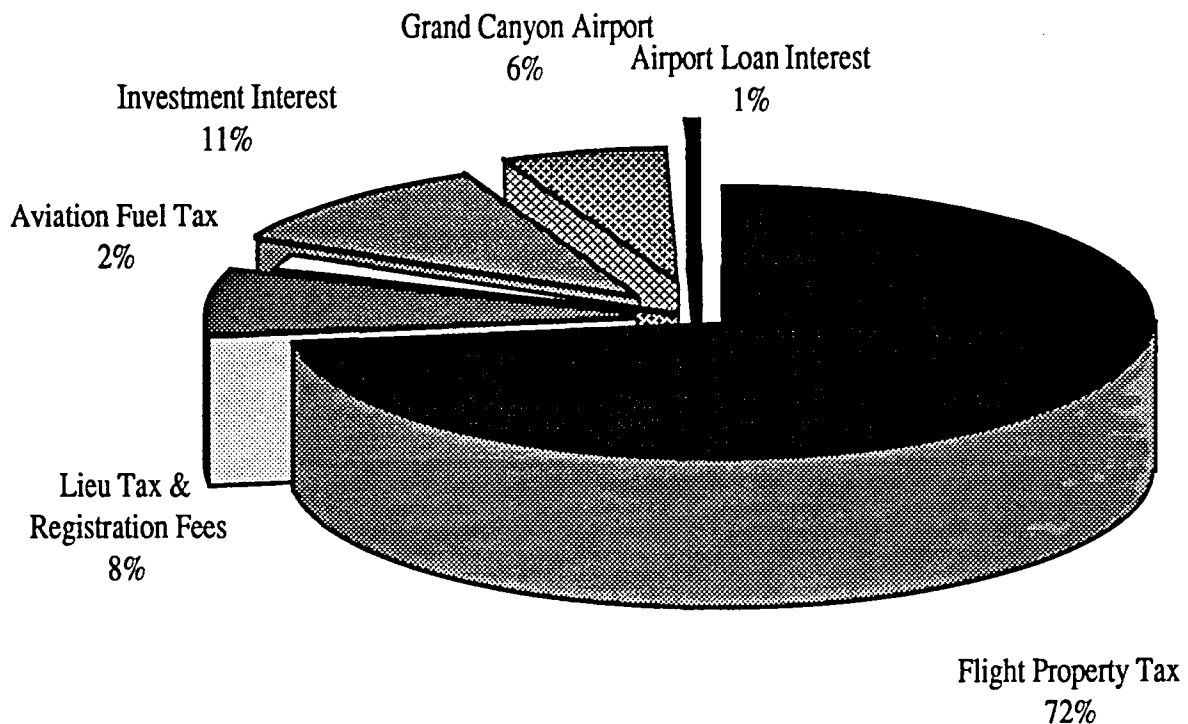


Figure 5

Number of Aircraft Registered By Calendar Year

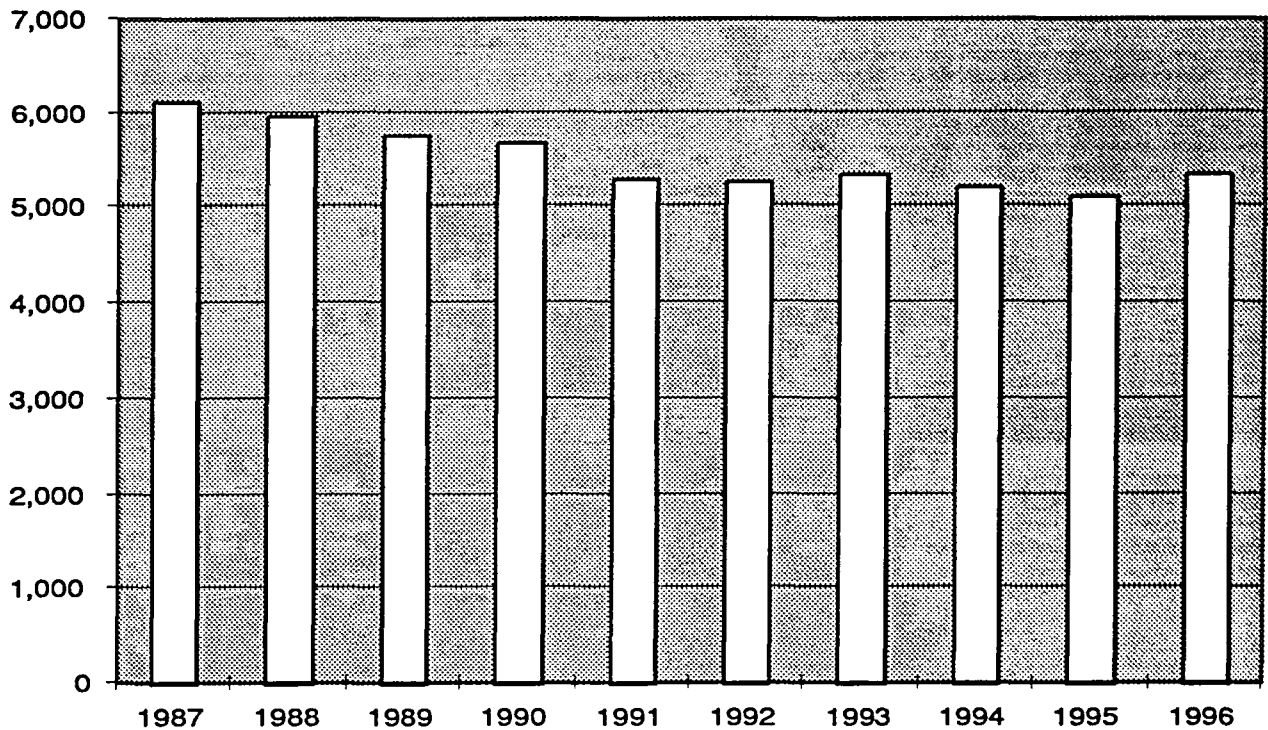


Figure 6

Lieu Tax and Registration Fees By Fiscal Year

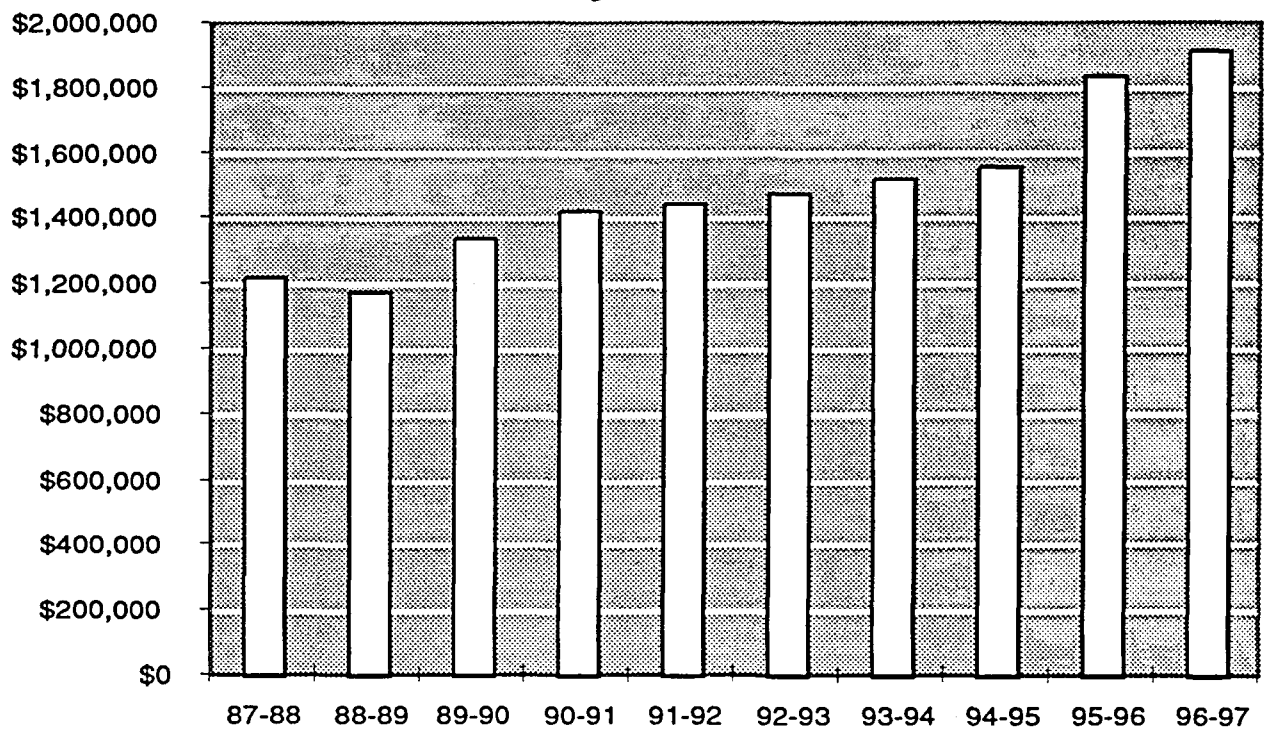


Figure 7

AIRCRAFT REGISTRATION DATA

| FISCAL YEARS | AIRCRAFT ⁽¹⁾ REGISTERED | AIRCRAFT LIEU TAX | AIRCRAFT REG. FEE | PENALTY | INTEREST | TOTAL REV. TAX & REG. |
|-------------------------|---|------------------------------|------------------------------|----------------|-----------------|--------------------------------------|
| 69-70 | 2,135 | \$105,058 | \$10,876 | | | \$160,930 |
| 70-71 | 2,499 | \$160,731 | \$12,248 | | | \$172,979 |
| 71-72 | 2,945 | \$210,202 | \$15,238 | | | \$225,440 |
| 72-73 | 3,283 | \$239,821 | \$16,308 | | | \$256,129 |
| 73-74 | 3,463 | \$424,776 | \$18,641 | | | \$443,417 |
| 74-75 | 3,487 | \$468,546 | \$19,590 | | | \$448,136 |
| 75-76 | 4,073 | \$511,330 | \$19,585 | | | \$530,915 |
| 76-77 | 4,372 | \$699,569 | \$22,213 | \$15,510 | \$2,864 | \$740,156 |
| 77-78 | 5,131 | \$941,568 | \$23,129 | \$9,295 | \$1,668 | \$980,791 |
| 78-79 | 5,289 | \$1,264,776 | \$24,972 | \$10,800 | \$1,409 | \$1,301,957 |
| 79-80 | 5,403 | \$1,608,107 | \$26,156 | \$19,372 | \$5,123 | \$1,658,757 |
| 80-81 | 5,846 | \$1,851,033 | \$27,460 | \$18,662 | \$8,374 | \$1,905,649 |
| 81-82 | 6,009 | \$1,904,154 | \$27,276 | \$19,764 | \$9,210 | \$1,960,405 |
| 82-83 | 6,062 | \$1,949,822 | \$28,210 | \$25,807 | \$15,267 | \$2,019,106 |
| 83-84 | 6,000 | \$2,194,838 | \$29,138 | \$24,268 | \$16,311 | \$2,264,555 |
| 84-85 | 6,159 | \$2,521,643 | \$29,200 | \$21,900 | \$16,892 | \$2,589,635 |
| 85-86 | 6,162 | \$2,567,490 | \$30,116 | \$21,940 | \$10,285 | \$2,597,606 |
| 86-87 ⁽²⁾ | 6,150 | \$1,297,328 | \$28,650 | \$19,265 | \$10,144 | \$1,355,387 |
| 87-88 | 6,133 | \$1,162,980 | \$27,500 | \$20,894 | \$10,662 | \$1,222,036 |
| 88-89 | 5,969 | \$1,121,900 | \$26,100 | \$13,500 | \$9,700 | \$1,171,200 |
| 89-90 ⁽³⁾ | 5,754 | \$1,288,750 | \$24,750 | \$18,060 | \$8,451 | \$1,340,012 |
| 90-91 | 5,670 | \$1,374,723 | \$27,280 | \$14,175 | \$5,959 | \$1,422,137 |
| 91-92 ⁽⁴⁾ | 5,291 | \$1,404,933 | \$26,285 | \$15,740 | \$773 | \$1,447,731 |
| 92-93 | 5,258 | \$1,429,867 | \$25,275 | \$19,655 | \$190 | \$1,474,989 |
| 93-94 | 5,341 | \$1,473,081 | \$26,420 | \$23,345 | \$60 | \$1,522,906 |
| 94-95 | 5,212 | \$1,517,470 | \$24,665 | \$18,835 | \$155 | \$1,561,125 |
| 95-96 | 5,104 | \$1,793,314 | \$25,395 | \$22,560 | \$46 | \$1,841,315 |
| 96-97 | 5,347 | \$1,852,090 | \$28,215 | \$32,930 | | \$1,913,235 |

(1) Calendar Year Data

(2) Decrease in revenue reflects tax reform legislation cutting tax rate in half.

(3) As a result of new legislation requiring stored aircraft to pay a fee, the total number of registered aircraft has decreased due to owners having aircraft deregistered with the FAA, voiding the requirement to register with the State.

(4) As a result of new legislation the penalty fee was revised and interest was eliminated.

Source: Aeronautics Division, Arizona Department of Transportation
Unaudited Financial Records

Table 5

HISTORICAL AVIATION FUEL TAX DATA

| <u>FISCAL YEAR</u> | <u>GALLONS OF FUEL</u> | <u>1¢/GAL AVIATION FUEL TAX</u> | <u>5¢/GAL AVIATION FUEL TAX</u> | <u>UNCLAIMED/ UNREFUNDED AV FUEL TAX</u> | <u>TOTAL FUEL TAX REVENUE</u> |
|------------------------|----------------------------|---|---|--|---------------------------------------|
| 69-70 | 5,331,384 | \$34,528 | | \$105,996 | \$140,524 |
| 70-71 | 5,818,298 | \$59,367 | | \$110,462 | \$169,829 |
| 71-72 | 6,144,510 | \$60,307 | | \$107,932 | \$168,239 |
| 72-73 | 5,885,395 | \$59,395 | | \$126,475 | \$186,870 |
| 73-74 | 6,444,930 | \$64,207 | | \$130,815 | \$195,022 |
| 74-75 | 6,871,623 | \$69,781 | | \$143,084 | \$212,865 |
| 75-76 | 7,075,481 | \$68,343 | | \$174,982 | \$243,325 |
| 76-77 | 9,577,534 | \$72,506 | | \$186,152 | \$258,658 |
| 77-78 | 9,541,147 | \$69,926 | | \$213,890 | \$283,816 |
| 78-79 | 8,159,000 | \$85,159 | | \$254,113 | \$339,272 |
| 79-80 | 9,054,499 | \$90,545 | | \$252,089 | \$342,634 |
| 80-81 | 12,453,322 | \$124,533 | | \$317,742 | \$442,275 |
| 81-82 | 11,228,545 | \$112,285 | | \$268,315 | \$380,600 |
| 82-83 | 8,482,597 | \$84,826 | | \$229,812 | \$314,638 |
| 83-84 | 8,227,983 | \$82,279 | | \$284,747 | \$367,026 |
| 84-85 | 7,637,721 | \$76,377 | | \$305,734 | \$382,111 |
| 85-86 | 6,471,370 | \$64,714 | | \$336,316 | \$401,030 |
| 86-87 ⁽¹⁾ | 8,202,591 | \$11,900 | \$350,629 | \$81,779 | \$444,308 |
| 87-88 ⁽²⁾ | 8,929,382 | | \$306,774 | | \$306,774 |
| 88-89 | 10,276,177 | | \$502,765 | | \$502,765 |
| 89-90 | 10,610,226 | | \$530,511 | | \$530,511 |
| 90-91 | 11,033,960 | | \$551,698 | | \$551,698 |
| 91-92 | 10,061,760 | | \$503,088 | | \$503,088 |
| 92-93 ⁽³⁾ | 7,934,660 | | \$396,733 | | \$396,733 |
| 93-94 | 13,815,040 | | \$690,752 | | \$690,752 |
| 94-95 | 8,859,600 | | \$442,980 | | \$442,980 |
| 95-96 | 10,246,566 | | \$512,328 | | \$512,328 |
| 96-97 | 10,293,740 | | \$514,687 | | \$514,687 |

(1) As of August 13, 1986 - AvGas Tax was increased from 0.01¢ per gallon to 0.05¢ per gallon.

(2) As of August 18, 1987 - AvGas Refunds were eliminated except for aerial applicators.

(3) An additional \$151,541 was collected in fiscal year 1992-93, however, it was credited to the fiscal year 1993-94 numbers.

Table 6

AVIATION SAFETY AND EDUCATION

The Division's Aviation Safety and Education Section is responsible for:

- The dissemination of aviation information
- Aviation safety programs
- Aviation/aerospace education programs
- The monitoring of aviation rulemaking and regulations
- The analysis of proposed airspace changes

Aviation Information

The Aviation Safety and Education staff monitors regulatory proceedings and reviews federal proposed rulemaking notices, press releases, magazines, newsletters and journals to stay in touch with aviation safety, regulatory, and industry developments that affect Arizona. Many of these source materials are organized and retained in an aviation reference library. Regulatory and navigation data are kept current and available.

The section receives a large number of calls, letters, and other contacts from the general public, governmental entities and aviation interests each year requesting various types of aviation-related information. Information is provided on the spot, research is initiated, and referrals are made to other sources having additional specific knowledge or expertise.

Aviation/Aerospace Education

During FY 1996-97, the Aviation Safety and Education Section supported the annual International Aviation Art Contest sponsored by the National Aeronautic Association, NASAO, and the FAA. Approximately 1,193 Arizona school children participated in the contest. The Division also participated and manned a display at the Oskosh Annual Flyin, held August 1997, in Oshkosh, Wisconsin. Division personnel welcomed the opportunity to meet face-to-face with our customers from all over the nation.

Aviation Safety

Aviation safety efforts during 1996-97 centered primarily on assisting with the FAA 5010 Airport Safety Inspection Program; and research and analysis of proposed airspace changes.

Additional Activities

The Aeronautics Division, through the Aviation Safety and Education Section maintains close contact with members of aviation organizations, as well as with the general public. The Aviation Safety and Education Section also has the role of acting as an information resource for the other sections of the Division.



Publications

The Annual Progress Report is a report of the activities of the Aeronautics Division over the preceding fiscal year. It is updated annually.

Helicopter Facts is a pamphlet providing basic information about helicopters and how they fly. The pamphlet was designed as an educational tool for use during helicopter displays, and is provided on request.

Desert Survival Guide is a pamphlet outlining various desert survival principles, including specific techniques in survival situations. This pamphlet was revised and updated this past fiscal year.

Bald Eagle Nesting Sites is a brochure designed to provide pilots with the most specific and current information available on sensitive bald eagle nest areas in Arizona. This brochure was produced in cooperation between the Arizona Department of Transportation and the Arizona Department of Game and Fish. The brochure was updated this past year.

Arizona Aviation Facts is a one-page reference on general aviation in Arizona. The fact sheet contains information on the number of pilots, aircraft, airports, and nav aids. Arizona Aviation Facts is updated annually.

